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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(X) QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

( ) TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

For Quarter Ended June 30, 1992 Commission File #0-12851

BKLA BANCORP

(Exact name of registrant as specified in its charter)

California	95-3840703
(State or other jurisdiction of)	(IRS Employer Identification)

8901 Santa Monica Blvd., Los Angeles California	90069
(Address of principal executive offices)	(Zip Code)

(310) 550 8900

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No .

BEST COPY AVAILABLE

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value	1,251,565
Class	Outstanding on June 30, 1992

This Form 10-Q contains 25 pages.

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PART 1 - FINANCIAL INFORMATION

Item 1 - Financial Statements

PKLA BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	June 30 1992 (Unaudited)	December 31, 1991
Cash & cash equivalents	$8,449,421	$9,480,893
Interest-bearing deposits with financial institutions	450,000	375,000
Investment securities:		
Municipal securities	0	0
US Government securities	0	499,926
US Agency securities	37,107,922	32,736,793
Other securities	0	10,872,542
Total investment securities, market values of $37,917,000 & $45,171,000	37,107,922	44,109,261
Investment securities held for sale, market value of $5,168,000 at 12/31/91.	0	4,932,804
Federal funds sold & repurchase agreements purchased.	3,700,000	4,000,000
Loans:		
Commercial	27,583,468	27,263,511
Real estate construction & land	5,007,309	4,947,227
Real estate - other	46,008,364	46,105,905
Consumer	11,746,778	13,135,391
Other	43,335	59,315
Less deferred loan origination fees	(262,075)	(146,659)
Gross loans	90,127,177	91,364,690
Less allowance for loan losses	(2,597,998)	(2,475,078)
Net loans	87,529,181	88,889,612
Premises & equipment, net	3,530,964	3,693,880
Other Real estate owned	524,041	0
Accrued interest receivable	1,243,836	1,561,941
Other assets	2,643,089	2,960,154
TOTAL ASSETS	$145,178,454	$160,033,345

BKLA BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

LIABILITIES & SHAREHOLDERS' EQUITY	June 30, 1992 (Unaudited)	December 31, 1991
Liabilities:		
Deposits:		
Demand, non interest-bearing	$33,608,206	$31,141,761
Demand, interest-bearing	17,695,231	18,270,715
Money market savings	26,742,884	29,194,951
Savings	23,980,596	26,201,057
Time deposits under $100,000	15,517,035	22,127,558
Time deposits, $100,000 or more	13,724,779	19,672,649
Total deposits	131,268,731	146,608,691
Federal funds purchased and repurchase agreements sold	0	0
Obligation under capital lease	1,820,927	1,819,259
Accrued interest payable	175,693	249,767
Other liabilities	624,730	187,097
Total liabilities	133,890,081	148,864,814
Shareholders' Equity:		
Contributed capital	11,078,503	11,078,503
Retained earnings	209,870	90,028
Total Shareholders' Equity	11,288,373	11,168,531
TOTAL LIABILTIES & SHAREHOLDERS' EQUITY	$145,178,454	$160,033,345

BKLA BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Six-Month Periods Ended June 30,	
	1992	1991
Interest income:		
Interest and fees on loans	$4,294,154	$5,089,048
Interest on Municipal securities	0	80,906
Interest on US Government securities	4,125	14,043
Interest on US Agency securities	1,216,178	568,803
Interest on other securities	319,886	335,064
Interest on Fed funds sold & repos purchased	118,188	112,770
Interest on deposits with other financial institutions	9,749	16,429
Total interest income	5,962,080	6,217,063
Interest expense:		
Deposits	2,157,079	2,750,990
Short-term borrowed funds	27,441	61,812
Capital lease obligation	127,081	127,135
Total interest expense	2,311,601	2,939,937
Net interest income	3,650,479	3,277,126
Provision for loan losses	550,000	0
Net interest income after provision for loan losses	3,100,479	3,277,126
Other income:		
Service fee income	347,975	318,313
Escrow fees	156,180	190,655
Investment securities gains (losses)	333,808	38,175
Other	148,811	156,724
Total other income	986,774	703,867
Other operating expenses:		
Salaries & employee benefits	1,896,379	2,060,421
Net occupancy expense	434,316	439,679
Furniture & equipment	309,885	382,187
Business promotion	93,885	140,180
Professional services	433,780	510,865
Printing & supplies	204,921	197,226
Other	524,645	457,289
Total other operating expense	3,897,811	4,187,847
Income (loss) before income taxes	189,442	(208,854)
Income taxes (credit)	69,600	(93,800)
Net income (loss)	$119,842	($113,054)
Income (loss) per share	$0.09	($0.09)

BKLA BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three-Month Periods Ended June 30,	
	1992	1991
Interest income:		
Interest and fees on loans	$2,112,138	$2,466,199
Interest on Municipal securities	0	36,540
Interest on US Government securities	0	8,478
Interest on US Agency securities	615,871	287,025
Interest on other securities	119,776	167,201
Interest on Fed funds sold & repos purchased	43,648	72,890
Interest on deposits with other financial institutions	4,914	7,892
Total interest income	2,896,347	3,026,223
Interest expense:		
Deposits	972,831	1,353,584
Short-term borrowed funds	18,296	1,954
Capital lease obligation	63,525	63,568
Total interest expense	1,054,652	1,419,106
Net interest income	1,841,695	1,607,117
Provision for loan losses	350,000	(100,000)
Net interest income after provision for loan losses	1,491,695	1,707,117
Other income:		
Service fee income	178,479	182,926
Escrow fees	73,184	84,361
Investment securities gains (losses)	207,069	27,491
Other	76,697	44,679
Total other income	535,409	319,457
Other operating expenses:		
Salaries & employee benefits	932,977	999,719
Net occupancy expense	201,494	224,586
Furniture & equipment	153,354	196,138
Business promotion	40,974	60,900
Professional services	215,114	294,999
Printing & supplies	104,245	103,405
Other	285,322	247,922
Total other operating expense	1,933,480	2,127,669
Income (loss) before income taxes	93,624	(101,095)
Income taxes (credit)	42,100	(54,100)
Net income (loss)	$51,524	($46,995)
Income (loss) per share	$0.04	($0.04)

BKLA BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Six-Month Periods Ended June 30,	
	1992	1991
Cash flows from operating activities:		
Interest received	$6,480,511	$6,567,855
Fees and commissions received	652,966	650,817
Interest paid	(2,385,675)	(3,049,382)
Cash paid to suppliers and employees	(3,031,550)	(3,852,713)
Income taxes paid	118,524	344,783
Net cash provided by (used in) operating activities	1,834,776	661,360
Cash flows from investing activities:		
Proceeds from sales of investments	14,989,643	6,575,668
Proceeds from maturities of investments	2,221,054	2,231,919
Purchase of investments	(5,052,656)	(5,686,880)
Net decrease (increase) in Federal funds sold	300,000	(5,800,000)
Net decrease (increase) in loans made to customers	695,015	0 5,976,021
Capital expenditures	(659,144)	(467,965)
Proceeds from the sale of furniture, equipment and other real estate owned	0	1,800,000
Net cash provided by (used in) investing activities	12,493,912	4,628,763
Cash flows from financing activities:		
Net increase (decrease) in demand deposits, NOW accounts and savings accounts	(2,781,567)	11,986,704
Net increase (decrease) in time certificates of deposit	(12,558,393)	0 (11,618,941)
Net increase (decrease) in repurchase agreements	0	0
Proceeds from the issuance of stock	0	762
Dividends paid	0	0
Net cash provided by (used in) financing activities	(15,339,960)	368,525
Net increase (decrease) in cash and cash equivalents	(1,011,272)	5,658,648
Cash and cash equivalents at beginning of period	9,460,693	5,962,072
Cash and cash equivalents at end of period	$8,449,421	$11,620,720

BKLA BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of Net Income
to Net Cash Provided by Operating Activities
(Unaudited)

	Six-Month Periods Ended June 30,	
	1992	1991
Net Income	$119,842	($113,054)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	435,200	460,738
Provision for loan and investment losses	550,000	0
Losses (gains) on security sales	(333,808)	(53,050)
Losses (gains) on disposal of furniture and equipment	0	0
Increase (decrease) in taxes payable	188,124	250,982
Decrease (increase) in interest receivable	318,105	270,303
Increase (decrease) in interest payable	(74,074)	(109,445)
Decrease (increase) in other receivables	79,500	458,615
Increase (decrease) in accrued expenses and liabilities	551,887	(503,729)
Net cash provided by operating activities	$1,834,776	$661,360

BKLA BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. The consolidated financial statements of BKLA Bancorp ("Company") and Subsidiary include the accounts of the Company and its wholly-owned subsidiary, Bank of Los Angeles, ("Bank"). The consolidated financial statements include the operations of the Company and the Bank for all periods presented. All intercompany balances and transactions have been eliminated.

Note 2. In the opinion of management, the unaudited consolidated financial statements of BKLA Bancorp and Subsidiary at June 30, 1992, and for the six months ended June 30, 1992 and 1991, reflect all adjustments (which consist only of normal recurring adjustments) necessary for a fair presentation. Certain items in the 1991 consolidated financial statements have been reclassified to conform to the 1992 presentation. The results of operations for the periods ended June 30, 1992 and June 30, 1991 are not necessarily indicative of operating results that may be expected for any other interim period or for the full year.

Note 3. Earnings per share is computed using the weighted average number of shares of common stock equivalents outstanding. Stock options are considered to be common stock equivalents, except when their effect is anti-dilutive. The weighted average number of shares used to compute earnings per share were 1,251,565 for the six month periods ended June 30, 1992 and June 30, 1991, respectively.

Note 4. The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards No. 105 which provides for disclosure of information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk. The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. As of June 30, 1992, the Bank had $15,273,813 in unfunded commitments to extend credit and $845,064 in standby letters of credit. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is equivalent to the contractual or notional amount of those instruments.

The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. When collateral is taken, the general policy is to

secure loans by assets or stock of the borrower. Loans are expected to be repaid from cash flow or proceeds from sale of selected assets from the borrower.

The Bank has a concentration of credit risk in that most of the business of the Company is conducted with customers in the greater Los Angeles area.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to provide information to facilitate the understanding and assessment of significant changes in trends related to the consolidated financial condition and results of operations of BKLA Bancorp and Bank of Los Angeles. The discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report. Throughout this discussion, "Company" will refer to BKLA Bancorp as a consolidated entity, "BKLA" will refer to BKLA Bancorp as an unconsolidated entity, and "Bank" will refer to the Bank of Los Angeles.

SUMMARY

The net income for the three months ended June 30, 1992 was $52,000, as compared to net loss of $47,000 for the three months ended June 30, 1991. The net income for the six months ended June 30, 1992 was $120,000 as compared to a net loss of $113,000 for the six months ended June 30, 1991. The improvement was largely attributable to an increase in net interest income and gain on sale of securities, and a decrease in noninterest expense. These improvements were partially offset by an increase in the provision for loan losses.

At June 30, 1992, total consolidated assets were $145,178,000, compared to $160,033,000 as of December 31, 1991. Consolidated gross loans totaled $90,389,000 and $91,512,000 as of June 30, 1992 and December 31, 1991 respectively. Total consolidated deposits at June 30, 1992 were $131,269,000 as compared to the December 31, 1991 total of $146,609,000.

The following table sets forth certain important ratios for the Company for the periods indicated:

	Six Months Ended June 30,		Three Months Ended June 30,	
	1992	1991	1992	1991
Return (loss) on average assets:	.16%	-.16%	.14%	-.14%
Return (loss) on average shareholders' equity:	2.12%	-1.87%	1.85%	-1.56%

The following discussion explains in greater detail the consolidated financial condition and results of the operations of the Company. This discussion should be read in conjunction with the consolidated financial statements and notes thereto.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income is the major source of operating income of the Company. Net interest income represents the difference between the interest income from earning assets and the interest paid on interest bearing liabilities. Net interest income for the three months ended June 30, 1992 increased $235,000, or 14.62%, to $1,842,000, from $1,607,000 for the three months ended June 30, 1991. Net interest income for the six months ended June 30, 1992 increased $373,000, or 11.38%, to $3,650,000, from $3,277,000 for the six months ended June 30, 1991.

The increase was largely due to reduction in interest expense, caused by a decline in interest rates and a change in the composition of deposits. On August 2, 1991, the Company paid $285,000 to assume the liabilities and received cash of $61 million from the Resolution Trust Corporation ("RTC") for the West Hollywood Office of Unity Savings & Loan Association, F.A. ("Unity"). This transaction provided the less expensive core deposits, which enabled the Bank to reduce its more costly time certificates of deposit of $100,000 and more. Core deposits (total deposits less time certificates of deposit of $100,000 or more) averaged 89.40% and 81.74% for the three months ending June 30, 1992 and 1991, respectively. Core deposits averaged 88.56% and 79.86% for the six months ending June 30, 1992 and 1991, respectively. This change in the deposit mix coupled with the general decline in interest rates resulted in a reduction in the average interest rate paid on all interest bearing deposits to 3.85% and 4.09% for the three and six months periods ended June 30, 1992, respectively, from 5.97% and 6.17% for the three and six months periods ended June 30, 1991.

The decrease in interest expense was partially offset by a reduction in interest income from $3,026,000 to $2,896,000 for the three months ended June 30, 1991 and 1992, respectively. Interest income was $6,217,000 and $5,962,000 for the six months ended June 30, 1991 and 1992, respectively. Following the Unity acquisition, average earning assets increased to $134,582,000 for the three months ended June 30, 1992, as compared to $121,626,000 for the three months ended June 30, 1991. Average earning assets for the six months ended June 30, 1992 and 1991 were $137,817,000 and $122,479,000, respectively. The effects of the increase in volume were mitigated by the decline in interest rates and a change in asset mix. Reference rate averaged 6.50% and 8.92% for the six months ended June 30, 1992 and 1991, respectively. Pursuant to the decline in rates, the average rate earned on interest earning assets for the three months ended June 30, 1992 was 8.24%, and was 10.21% for the three months ended June 30, 1991. The average rate earned on interest earning assets for the six months ended June 30, 1992 and June 30 1991 was 8.36% and 10.26%, respectively. Interest income has been

favorably impacted in 1992 by the recognition of $125,000 in each quarter from the gain on the termination of a swap agreement. Please refer to the section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" entitled "Liquidity and Interest Rate Sensitivity Management".

For the three month periods ended June 30, 1992 and 1991 average loans, the highest yielding asset, were 66.93% and 75.09% of average earning assets. For the six month periods ended June 30, 1992 and 1991, average loans were 65.22% and 75.61% of average earning assets.

As a result of the foregoing, the net interest margin and net interest income earned as a percentage of average earning assets varied as follows for the periods indicated:

	Six Months Ended June 30,		Three Months Ended June 30,	
	1992	1991	1992	1991
Net interest margin:	4.11%	3.93%	4.22%	3.88%
Net interest income earned as a percentage of average earning assets:	4.99%	5.42%	5.10%	5.32%

Provision for Loan Losses

The provision for loan losses creates an allowance for estimated future loan losses. When losses occur they are charged against the allowance.

The provision for loan losses was $350,000 for the three months ended June 30, 1992, compared to a net reversal of $100,000 for the three months ended June 30, 1991. For the six months ended June 30, 1992, the provision for loan losses was $550,000, and there was no provision made for the six months ended June 30, 1991. The increased provision for loan losses during the first 6 months of 1992 reflects the continuing weakness in the economy in the Bank's service area and an increase in nonperforming loans and charge offs. Following an examination by the California State Banking Department, which concluded in January 1991, and a subsequent examination by the Federal Deposit Insurance Corporation, which concluded in May 1991, the Bank determined at the end of the second quarter of 1991, that the allowance for loan losses was adequate at its then level. Subsequent to the two examinations, the Bank benefited from $202,000 in recoveries and therefore determined that the allowance for loan losses at the end of the second quarter 1991 was higher than necessary. Accordingly, the $100,000 provision for loan losses which was made in the first quarter of 1991 was reversed in the second quarter of 1991.

The provisions during the first 6 months of 1992, less net loans charged off during such period, resulted in an allowance for loan losses at June 30, 1992 of $2,598,000, or 2.88% of loans outstanding. The allowance for loan losses as of December 31, 1991 was $2,475,000, or 2.70% of loans outstanding. Please refer to the sections of "Management's Discussion and Analysis of Financial Condition and Results of Operations" entitled "Nonperforming Assets" and "Allowance for Loan Losses".

Noninterest Income

The following table sets forth information by category of noninterest income for the Company for the periods indicated:

(dollars in thousands)	Six Months Ended June 30,		Three Months Ended June 30,	
	1992	1991	1992	1991
Service fee income	$348	$318	$176	$163
Escrow Fees	156	191	73	84
Investment Securities gains (losses)	334	38	207	27
Other	149	157	79	45
Total noninterest income	$987	$704	$535	$319

In January 1992, the Bank sold substantially all of the securities with final maturities in excess of 10 years. The total principal amount of said securities was $4,983,000 and the Bank realized a gain of $127,000 from the transaction. In May 1992, the Bank sold all of the corporate bonds from the investment portfolio. The total principal amount of said securities was $10,052,000 and the Bank realized a gain of $206,000 from the transaction. The sale of the bonds improved the Company's capital to risk weighted assets ratio, as the corporate bonds were risk weighted at 100% and the re-investment of the funds was made in 20% risk weighted assets. Please refer to the section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" entitled "Capital Resources".

Noninterest Expense

The following table sets forth information by category of noninterest expense for the Company for the periods indicated:

(dollars in thousands)	Six Months Ended June 30,		Three Months Ended June 30,	
	1992	1991	1992	1991
Salaries & employee benefits	$1,896	$2,061	$ 933	$1,000
Net occupancy expense	434	440	202	225
Furniture & equipment	310	382	153	196
Business promotion	94	140	41	81
Professional services	434	511	215	295
Printing & supplies	205	197	104	103
Other expense	525	457	285	248
Total noninterest expense	$3,898	$4,188	$1,933	$2,128

Noninterest expense decreased $195,000, or 9.16%, to $1,933,000 for the three months ended June 30, 1992. Noninterest expense decreased $290,000, or 6.92% for the six months ended June 30, 1992. During the first 6 months of 1992, the Bank benefited from a cost reduction program implemented in the second half of 1991 which included a decrease in the work force in July 1991. The increase in other noninterest expense is largely attributable to the premiums paid for FDIC insurance, which were $173,000 and $127,000 for the six months ended June 30, 1992 and 1991, respectively. It is anticipated that FDIC insurance premiums will increase from $.23 per hundred of insured deposits to at least $.26 per hundred of insured deposits as of January 1993.

Income Taxes

For the three months period ending June 30, 1992, the Company had an income tax expense of $42,100, as compared to an income tax credit of $54,100 for the three months ending June 30, 1991. For the six months period ending June 30, 1992, the Company had an income tax expense of $69,600, as compared to an income tax credit of $93,800 for the six months ending June 30, 1991. The effective tax rate in 1992 was 36.74% and the effective rate of the tax credit in 1991 was 45.35%.

FINANCIAL CONDITION

Total consolidated assets decreased $14,855,000, or 9.28%, to $145,178,000 as of June 30, 1992 from $160,034,000 as of December 31, 1991. At June 30, 1992, total consolidated deposits were $131,269,000, or 10.46% less than the December 31, 1991 total of $146,609,000. The decrease is largely attributable to reductions in the more costly time certificates of deposit, with the preponderance of decline in time certificates of deposit of $100,000 or more. The corresponding reduction in assets resulted primarily from the sale of securities held for sale at December 31, 1991 and from the sale of the corporate bonds in May 1992.

Loans

Net loans as a percentage of total assets were 60.29% as of June 30, 1992, an increase from 55.54% as of December 31, 1991. The loan to deposit ratio was 66.68% as of June 30, 1992, as compared to 60.63% as of December 31, 1991.

The following table sets forth the amount of loans in each category and the percentage of total loans outstanding for each category, and shows adjustments for deferred loan origination fees and the allowance for loan losses, as of the dates indicated:

(dollars in thousands)	June 30, 1992		December 31, 1991	
	Amount	Percentage	Amount	Percentage
Commercial loans	$ 27,627	30.6%	$ 27,324	29.9%
Real estate, single family	19,675	21.7%	21,578	23.6%
Real estate, multi- family	3,845	4.3%	4,426	4.8%
Real estate, non-farm/non-residential	22,489	24.9%	20,102	22.0%
Real estate, construction	5,007	5.5%	4,947	5.4%
Consumer loans	11,746	13.0%	13,135	14.3%
Total loans	$ 90,389	100.0%	$ 91,512	100.0%
Less deferred loan origination fees	(262)		(147)	
Less allowance for loan losses	(2,598)		(2,475)	
Net loans	$ 87,529		$ 88,890	

Nonperforming Assets

The following table sets forth information concerning nonperforming assets at the dates indicated:

(dollars in thousands)	June 30, 1992	December 31, 1991
Loans delinquent for 90 days or more but still accruing	$ 771	$ 483
Nonaccrual loans	3,176	2,508
Restructured loans	-0-	-0-
Other real estate owned	524	-0-
Total nonperforming assets	$ 4,471	$ 2,969
Nonperforming assets to period end loans, plus other real estate owned	4.95%	3.24%

Generally, the Company's policy is to discontinue accrual of interest on loans which are delinquent for 90 days or more, unless management determines that a loan is adequately collateralized or other circumstances justify treating a loan as fully collectible. Interest income which has been previously accrued is reversed when a loan is placed on a nonaccrual status, and income is not recognized until payment is actually received. Income recorded for the nonaccrual loans totaled $3,000 in the six months ended June 30, 1992. The Company would have recorded $144,000 in additional income had all nonaccrual loans been current as of June 30, 1992.

As of June 30, 1992, the Bank had two real estate properties which were acquired in foreclosure. Management believes that based upon recent appraisals, the value of the properties is greater than the book value.

Excluding loans which have been classified as "loss" and charged off by the Bank, the Bank's classified loans consisted of $6,156,000 of loans classified as "substandard" and $1,164,000 of loans classified as "doubtful" as of June 30, 1992. The Bank's $6,156,000 of loans classified as "substandard" consisted of $4,438,000 of performing loans and $1,718,000 of nonaccrual loans and loans delinquent for 90 days or more but still accruing. The Bank's $1,164,000 of loans classified as "doubtful" were nonaccrual loans. In addition to the classified loans, the Bank was also monitoring $8,497,000 in loans which it has designated as "special mention" as June 30, 1992.

Allowance for Loan Losses

The provision for loan losses creates a reserve for estimated future loan losses, by a charge to operations based upon the composition of the loan portfolio, the performance of loans in the portfolio, evaluations of loan collateral, prior loss experience, current economic conditions, and the prospects or worth of the respective borrowers or guarantors. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan

losses. Such agencies may require the Company to recognize additions to the allowance based upon their judgment of the information available to them at the time of their examination. Further, since the Bank lends primarily in the greater Los Angeles region of Southern California, substantially all of its real estate loan collateral is concentrated in that region. Accordingly, the ultimate collectibility of a substantial portion of the Bank's loans are susceptible to changes in market conditions in the greater Los Angeles region. This concentration, along with the Bank's debt position on these properties is considered when determining the allowance for loan losses. The portfolio is reviewed monthly and the charge to operations is reported in earnings in the current period. When losses occur, they are charged against the allowance.

Senior management reviews the adequacy of the allowance for loan losses monthly. Loans which are identified as special mention, substandard or doubtful are assigned specific allocations within the allowance for loan losses. 2% of the loan balance is maintained in the allowance for loans classified special mention, 10% to 20% of the loan balance is maintained in the allowance for loan losses for loans deemed substandard, and 50% of the loan balance is maintained in the allowance for loan losses for loans deemed doubtful. A general reserve of .6% is also maintained for all unclassified loans. Additional reserves may be assigned based upon management's assessment of the quality of the credit.

The allowance for loan losses totaled $2,598,000, or 2.88% of loans outstanding, as of June 30, 1992, which compares to $2,475,000, or 2.70% of loans outstanding, as of December 31, 1991.

Management believes that the allowance for loan losses at June 30, 1992 is adequate to provide for risks associated with the Bank's loan portfolio. Given the economic condition in the Company's service area, the Company may continue to experience further deterioration in the quality of the loan portfolio and high levels of nonperforming assets, which could require increased provisions to the allowance for loan losses.

The following table sets forth the allowance for loan losses (at the beginning and end of each period), loan charge offs, recoveries, the amount of the provision charged to operations, the ratio of net charge offs to average loans and the allowance for loan losses as a percentage of year-end loans for the six months ended June 30, 1992:

(dollars in thousands)	June 30, 1992
Allowance for loan losses at beginning of year	$2,475
Charge offs	
Commercial	178
Real estate	65
Consumer	368
Total	611
Recoveries	
Commercial	160
Real estate	-0-
Consumer	24
Total	184
Net loans charged off	427
Provision charged to operations	550
Allowance for loan losses as of end of period	$2,598
Ratio of net charge offs to loans	.47%
Ratio of allowance for loan losses to period end loans	2.88%

Investment Portfolio

The Company's investment portfolio consists of U.S. government agency obligations. The portfolio provides investment income and serves as a source to meet liquidity needs as investments mature. Investment securities with approximate carrying values of $7,519,000 and $10,827,000 at June 30, 1992 and December 31, 1991, respectively, were pledged to secure public deposits and securities sold under agreement to repurchase and for other purposes required or permitted by law.

The following table sets forth the maturity distribution of the Company's investment portfolio as of June 30, 1992:

(dollars in thousands)	June 30, 1992
Less than one year	$ -0-
After one year to within five years	35,326
After five years to within ten years	1,779
After ten years	3
Total investment portfolio	$ 37,108

At June 30, 1992, the gross unrealized gain and gross unrealized loss on securities held for investment was $842,000 and $33,000, respectively.

Deposits

Deposits totaled $131,269,000 as of June 30, 1992, as compared to $146,609,000 as of December 31, 1991. The decrease of $15,340,000, or 10.46%, is primarily the result of the reduction of the higher cost, rate sensitive time certificates of deposit.

The Company had no brokered deposits as of June 30, 1992 and December 30, 1991.

The following table sets forth information regarding the average deposits and the average rate paid for certain deposit categories for the six months ended June 30, 1992:

(dollars in thousands)	June 30, 1992	
	Amount	Percent
Demand deposits	$ 31,745	0.00%
Interest bearing demand deposits	18,685	2.86%
Money Market accounts	28,263	3.88%
Savings accounts	24,886	4.29%
Time certificates less than $100,000	18,230	4.95%
Time certificates $100,000 & over	15,720	4.64%
Total average deposits	$137,529	

Capital Resources

The Company has no commitments for major capital expenditures. At June 30, 1992 and December 31, 1991, the Company had total shareholders' equity to total assets of 7.78% and 6.98%, respectively.

The Company is required to meet certain risk based and leveraged capital standards promulgated by the bank regulatory authorities. The risk based capital standards establish capital requirements that are more sensitive to risk differences between various assets, consider off balance sheet activities in assessing capital adequacy, and minimize the disincentives to holding liquid, low risk assets. The Company is currently required to achieve a minimum of 7.25% total qualifying capital to risk weighted assets ratio (of which 3.6% must be Tier 1 capital consisting primarily of common stock and retained earnings, less goodwill). By December 31, 1992, the Company must achieve a total risk based capital ratio of 8% (of which at least 4% must be Tier 1 capital). The leverage ratio consists of tangible Tier 1 capital divided by total assets. Bank regulatory authorities have set 3% as the minimum leverage ratio, however institutions experiencing or anticipating significant growth or those with other than minimum risk profiles will be expected to maintain capital well above the minimum levels.

The following table sets forth the Company's actual capital

levels at the dates indicated, and the current minimum regulatory capital requirements:

	Capital Levels		Current Minimum Regulatory Requirement
	12/31/91	6/30/92	
Total risk based capital	9.80%	11.04%	7.25%
Tier 1 risk based capital	8.26%	9.49%	3.60%
Leverage capital	5.76%	6.47%	3.00%

While the Company's capital ratios exceed the regulatory minimums, it is the intent of management to further strengthen its capital levels. Accordingly, it is not anticipated that the Company will pay cash dividends in the foreseeable future.

Liquidity and Interest Rate Sensitivity Management

The primary function of asset/liability management is to assure adequate liquidity and maintain an appropriate balance between interest sensitive earning assets and interest sensitive liabilities. Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw funds or borrowers seeking to meet their credit needs. Interest rate sensitivity management seeks to minimize fluctuations in net interest margins and to enhance consistent growth of net interest income and net profits through periods of changing interest rates.

Management monitors its liquidity position continuously in relation to trends of loans in deposits, and relates the data to short and long term requirements. The Bank has lines of credit with other financial institutions of $6,500,000 which enable it to borrow federal funds on an unsecured basis. The Bank also has a secured line of credit in the amount of $10,000,000. As of June 30, 1992, the Bank was not obligated to any bank in connection with any of its lines of credit.

Liquid assets are defined to include federal funds sold, interest-bearing deposits in other financial institutions, unpledged marketable investment securities and cash and due from banks. The Company's liquidity ratio (sum of liquid assets divided by the difference of total deposits and public deposits) was 32.54% as of June 30, 1992, and 35.90% as of December 31, 1991. The loan to deposit ratio at June 30, 1992 was 66.68%, as compared to 60.63% as of December 31, 1991.

The Company has improved its ratio of core deposits to total deposits in 1992. Core deposits are defined as the difference between total deposits and time certificates of deposit, $100,000 and over. As of June 30, 1992 the ratio of core deposits to total deposits was 89.54%, as compared to 86.42% as of December 31, 1991. The Company believes that the concentration in core deposits improves the stability of the deposit base and provides a less expensive source of funds.

The Company has adopted policies designed to minimize the exposure to interest rate fluctuations, and regularly measures the differences in the amounts of rate sensitive assets and rate sensitive liabilities over a variety of time periods. A gap for a specified period is positive (negative) when the amount of rate sensitive assets (liabilities) maturing or repricing within that period exceeds the amount of rate sensitive liabilities (assets) maturing or repricing within the same period. However, because interest rates for different asset and liability products offered by depository institutions respond in a different manner, both in terms of the responsiveness as well as the extent of responsiveness, to changes in the interest rate environment, the gap is only a general indicator of interest rate sensitivity.

The following presents a gap analysis for the Company as of June 30, 1992:

(In thousands) ASSETS	0 - 1 Days	2 - 30 Days	31 - 180 Days	181 - 365 Days	Over 1 year within 5 yrs	Over 5 years	Non-Int. Bearing	Total
Fed funds sold	$2,700	$0	$0	$0	$0	$0	$	$2,700
Securities purchased repos.	1,000							1,000
Due from banks time		75	375					450
Investment securities					35,326	1,782		37,108
Sub-total	3,700	75	375	0	35,326	1,782	0	41,258
Loans	77,607	417	2,731	2,133	3,985	341	3,176 *	90,390
TOTAL RATE SENSITIVE ASSETS	81,307	492	3,106	2,133	39,311	2,123	3,176	131,648
Other nonearning assets							13,530	13,530
TOTAL ASSETS	$81,307	$492	$3,106	$2,133	$39,311	$2,123	$16,706	$145,178

LIABILITIES & CAPITAL	0 - 1 Days	2 - 30 Days	31 - 180 Days	181 - 365 Days	Over 1 year within 5 yrs	Over 5 years	Non-Int. Bearing	Total
Securities sold-repos.	$0	$0	$0	$0	$0	$0	$0	$0
Interest bearing deposits	1,277	76,436	14,734	4,459	739	16		97,661
Capital loans & other debt						1,821		1,821
TOTAL RATE SENSITIVE LIABILITIES	1,277	76,436	14,734	4,459	739	1,837	0	99,482
Other liabilities							45,696	45,696
TOTAL LIABILITIES & CAPITAL	$1,277	$76,436	$14,734	$4,459	$739	$1,837	$45,696	$145,178
GAP: Assets (Liabilities)	$80,030	($75,944)	($11,628)	($2,326)	$38,572	$286	($28,990)	
Cumulative Gap:Assets (Liab.)	$80,030	$4,086	($7,542)	($9,868)	$28,704	$28,990	$0	

* Represents loans on nonaccrual

The table above indicates that at June 30, 1992, the negative gap between interest rate sensitive liabilities and interest rate sensitive assets that were expected to mature or reprice within 180 days was $7,542,000. Although this would seem to imply that a significant increase in interest rates would have a negative impact on the Bank's net interest income and a significant decrease in interest rates would have a positive impact on the Bank's net interest income, the decline in interest rates in 1991 actually had a negative impact on the Bank's net interest income, because rate sensitive assets responded more quickly and to a greater extent to the decline in interest rates than rate sensitive liabilities.

In view of this fact, in July 1991, the Bank entered into a two year $15,000,000 notional value interest rate swap agreement to hedge the exposure to the adverse effects of declining interest rates. Under the terms of the agreement, the Bank received interest at 9.25% and paid reference rate on the notional amount. In January 1992, the Bank sold the swap for a gain of $500,000, which will be recognized during 1992 at $125,000 per quarter as interest income.

At June 30, 1992, BKLA had deposits of $515,000. Presently, BKLA derives funds from interest on deposits with the Bank and other financial institutions . Management believes that the deposits and the current interest earned on the deposits are adequate to meet current cash-flow requirements. California law limits the amount of dividends that the Bank could pay to BKLA without obtaining prior regulatory approval and as of June 30, 1992, the Bank cannot declare and pay any dividends.

PART 2 - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

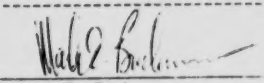
Item 6. Exhibits and Reports on Form 8-K

None

SIGNATURES

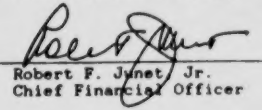
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BKLA BANCORP



Date: July 22, 1992

Mark E. Buchman
President and
Chief Executive Officer



Date: July 22, 1992

Robert F. Junet, Jr.
Chief Financial Officer